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Memorandum for: The Record

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The attached typescript was prepared
at the request of Ty Cobb of the
NSC staff

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==== Director, =====

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**Office of European Analysis
Directorate of Intelligence**

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DIRECTORATE OF INTELLIGENCE

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Malta: Closer Ties with the East?

Summary

Malta's relations with the Communist world have grown since 1979 when Valletta and Moscow signed their first commercial agreement. Although Malta's economic ties with the East are very limited when compared to those with its Western partners, reports of new Maltese economic feelers toward the Bloc and a subtle but broad Soviet propaganda program suggest that Moscow's influence could expand further. The Soviets will certainly take advantage of any opportunities presented them, but we believe that Prime Minister Mintoff has no intention of compromising Malta's neutral status, however peculiarly he may define it. While the accelerated pace of visits and agreements with the Communist world mark a quantitative change in Malta-East Bloc relations, they also conform to Mintoff's well-established pattern of playing East against West to maintain Malta's independence, facilitate its economic development, and bolster his own political future. [redacted]

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This paper was prepared by [redacted]
Office of European Analysis, Western Europe. It was coordinated with the Directorate of Operations, Office of Soviet Analysis, and NIO for Europe. Comments and queries are welcome and may be directed to the Chief, Western Europe Division, EURA, [redacted]

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Historical Perspective

Five years ago there were virtually no official ties between Malta and Communist countries. The Soviets had made considerable efforts since the early 1970s to establish a permanent presence in the islands and to become a regular customer of Malta's port and drydock facilities but repeatedly were stymied by Prime Minister Mintoff's exorbitant demands for financial compensation. Despite progressively larger offers of aid, by 1979 Moscow had obtained little beyond the right to use Malta for commercial transshipment.

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The Soviet Union's courtship of Malta began to produce results in July 1980, when Moscow and Valletta concluded an accord for the repair of several nonmilitary Soviet ships in Maltese dockyards. Moscow probably had no real need for the Maltese facilities -- similar work could be done elsewhere in the Mediterranean at lower cost -- but the Soviets presumably wanted to establish a precedent that might lead to the repair of warships and naval auxiliaries. In September 1980, the Soviets tested their influence by requesting permission to have an unarmed auxiliary repaired -- a request that Mintoff dismissed out of hand.

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Nevertheless, Soviet-Maltese negotiations broadened into other areas including civil aviation, maritime affairs, and commerce. The parties signed renewable, one-year bunkering and maritime agreements for non-military ships in January 1981, and soon after the Soviets were permitted to open an embassy. A Czech Embassy was opened in 1979 and a Bulgarian Embassy in 1983 (Table 1). In addition, the Soviets, Czechs, and Bulgarians initiated direct air service to Malta on their national airlines last year, without granting Air Malta reciprocal rights. The three countries also have established "friendship societies" with Malta which sponsor trips, student exchanges, and exhibits lauding putative bilateral cooperation.

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Malta's relations with other Communist countries are still limited:

- Cuba's relations with Malta are handled through the Cuban Embassy in Rome, although a Cuban-Maltese friendship society apparently is run by the Soviet Embassy's Cuban desk officer in Malta. The Cubans also control three small shipping companies in Malta. We have no information on any additional Cuban activity on the islands.

-- According to US Embassy and press reporting, North Korea and Malta signed an agreement in 1983 providing for \$2 million of North Korean military assistance in the form of light weapons, ammunition, and military instruction. No details are available, however, and [redacted] the two sides have agreed to keep its provisions secret. Press reports indicate that last year an unspecified number of North Korean advisers in Malta were training squads of soldiers and police in anti-riot techniques. According to the Embassy, the Maltese view North Korean security assistance, which Malta apparently obtained in return for supporting P'yongyang's position on Korean reunification, as a counterweight to the Italian military mission (Table 1).

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-- ~~China has had diplomatic relations with Malta since 1972. Although the Chinese have decreased their diplomatic presence since 1982 -- possibly to show disapproval of growing Soviet-Maltese ties -- they maintain five accredited diplomats and 17 other employees on the island. Moreover, some 300 Chinese worker-technicians paid by the Maltese government are involved in expanding Malta's port facilities. There are no military agreements between Valletta and Beijing. President Li Hsien Nien has announced plans to visit Malta later this year.~~ [redacted]

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Economic Ties

Despite a continuous flow of high-level ministerial and parliamentary exchanges with Communist capitals, Malta's trade with the East remains small (Table 2). In 1983 Malta sent 5.3 percent of its total exports to Eastern Europe, and 2.0 percent of its total imports came from the Bloc. According to Maltese figures, total trade with the East increased by over 25 percent in 1983 but still falls far below trade with the West. [redacted]

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Malta's leading Communist partner is in fact the Peoples' Republic of China. With very little fanfare the Chinese have established themselves as a constructive and substantial presence in Malta, offering both technical and manpower assistance to Malta's most significant development projects. According to the US Embassy, China has extended \$45 million in economic aid to Malta since 1972. [redacted]

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US Embassy officials attribute Mintoff's flirtations with the East primarily to Malta's economic difficulties. The Embassy has described the Maltese government as obsessed with its trade imbalance and high unemployment. Official government statistics admit to a 9-percent unemployment rate, but the opposition Nationalists insist the real figure is closer to 14 percent and some party leaders put it substantially higher. [redacted]

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The recently announced Maltese-Soviet agreement to ship \$265 million of Maltese consumer goods to the USSR over the next several years could ease the islands' unemployment problems. Despite Maltese government claims to the contrary, however, the US Embassy reports that the agreement is far from complete and that tough bargaining remains before the deal goes into effect. Moreover, previous deals with the Soviets have failed to produce the benefits predicted by Maltese officials. The bunkering agreement, for example, has not come close to providing the forecasted revenues. [redacted]

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Mintoffian Diplomacy

Mintoff's personal experience in Eastern Europe is still limited. The Maltese press reported in January 1983 that Mintoff had visited Prague for discussions with President Husak and Prime Minister Strougal, but US officials believe that Mintoff saw the trip primarily as a ski holiday. Mintoff tried again to combine business and pleasure during an outing to Albania the following summer. Although Mintoff managed to hold discussions with the Albanian Prime Minister, his request to meet with Albanian leader Enver Hoxha was denied. Mintoff has never visited Moscow, but a trip to the Soviet Union is under discussion. US officials in Beijing report that Mintoff would like to balance his stopover in Moscow by adding Beijing and P'yongyang to the itinerary. [redacted]

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Mintoff is not above biting the hand that feeds him or attempting to engage in economic blackmail. For example, the US Embassy reports that after criticizing the Soviets for the KAL jet incident (much to Moscow's chagrin), the Maltese privately insisted that the United States should reward Malta economically for its efforts. Mintoff has extracted limited economic benefits in the past from Egypt, Saudi Arabia, and Italy by threatening to move closer to Libya or the Soviets, and he has come to see this form of pressure as a useful diplomatic tool. [redacted]

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Given Mintoff's well-established pattern of trying to play East against West to facilitate Malta's economic development and bolster his own political future, we doubt that he would deviate substantially from his line of "mutuality, equidistance, and nonalignment" as long as his grip on power remains firm. Mintoff still dominates Malta's political scene even though his Labor Party received only 49 percent of the popular vote in the 1981 election.* [redacted]

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*The Labor Party received only a minority of the popular vote, but Mintoff was able to keep Labor in power through judicious gerrymandering. [redacted]

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Nonetheless, we share the US Embassy's view that if honest elections were held today, the Labor Party's total would fall still further. Mintoff is sensitive to shifts in the political winds at home and his recent threat to suspend or postpone the 1986 elections "in order to protect the people from foreign interference" probably can be attributed to concern that his party will do poorly. [redacted]

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After Mintoff

There is no question that Bloc activity on the islands is growing, particularly in its use of radio, television, and press for propaganda purposes. For example, in 1982 US officials reported that state-run TV Malta was showing an average of three Soviet-supplied programs per week and additional films from other Warsaw Pact countries. Moscow also provides at least six scholarships a year for Maltese students to study in the Soviet Union. Cheap tours to the Soviet Union, especially student tours, are also becoming increasingly popular, a factor of growing significance for an island whose population historically has not been well traveled. Even though the rash of visits, exhibitions, and paper agreements appear to lack much substance, the Bloc countries take full advantage of every opportunity to foster feelings of friendship and mutual cooperation. Although Mintoff is shrewd enough to recognize that tangible rewards do not necessarily follow handshakes and friendly smiles, any of the less sophisticated and not-so-wily Labor party leaders who might succeed him probably would be more receptive to Eastern blandishments. [redacted]

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- President Agatha Barbara may have traveled more extensively in Eastern Europe than any other member of Mintoff's inner circle. Barbara attended Brezhnev's funeral as Malta's special representative. After discussions in Moscow with Soviet leaders, Barbara visited Prague, East Berlin, and Sofia. US officials report that Barbara has particularly cordial relations with the Bulgarians. On her 60th birthday Barbara received a special award from Sofia for her "exceptionally high contribution to the establishment and development of friendly relations." Given Barbara's previous position as Minister for Labor, Employment, and Social Welfare and the Maltese government's concerns over the island's economy, we suspect that these discussions with the Soviets and East Europeans have focused primarily on trade. In an interview with Tass in 1974 Barbara suggested that Malta's trade with the East was expanding because the East's command economies were easier to deal with than the mixed economies of the West which she characterized as subject to uncontrollable market forces.

- A longtime Mintoff rival in the Labor Party is Public Works Minister Lorry Sant. Although now viewed by the US Embassy as "Qadhafi's golden boy" -- probably because of his frequent trips to Libya and his strong anti-US bias -- his Marxist ideological bent may make him more sympathetic toward the East.
- According to US Embassy reporting, Foreign Minister Alex Sceberras Trigona is seen by some as "Moscow's star pupil." Trigona is editor of the Socialist Youth League's monthly magazine representing the Labor Party's extreme leftwing and is apparently more an intellectual than a politician or a diplomat. He has stated that Malta must seek a "mature" relationship with the USSR, and actively participated in drafting the Malta-USSR Neutrality Agreement of 1981,* several trade agreements, the oil bunkering agreement, and the establishment of the Soviet Embassy on Malta. Although he has publicly been highly critical of US policy, the Embassy sees this more as a fulfillment of his role as "Mintoff's best mouthpiece" than his own convictions, because in personal contacts with Embassy personnel he makes clear his personal views as opposed to his "official" views. [redacted]

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On the other hand, several cultural and historical factors would require any politician intent on expanding Malta's relationship with Eastern Europe to move cautiously.

- The Maltese disagree on a wide variety of issues, but they are still ardent Catholics. The Maltese will not readily accept an ideology that is anti-Church -- a theme that has already appeared in the opposition Nationalist press.
- Moving closer to the Soviets risks upsetting the longstanding, positive relationship that Malta has built with Beijing.
- The vast majority of Maltese view themselves as Westerners and probably would oppose any blatant reorientation toward the East. [redacted]

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*The agreement was abrogated by Malta in 1983 because of disappointment over the low levels of Soviet trade and aid. [redacted]

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Table 1. Communist Diplomatic Representation in Malta

	1979	1980	1981	1982	1983	1984
USSR	6	6	NA	5	10	10
China	10	14	NA	10	5	5
Bulgaria	0	0	NA	0	4	4
Czechoslovakia	2	3	NA	3	4	4

Technical Representation

East Europe 75

China 300

Table 2. Maltese Foreign Trade

	Thousand \$			
	Exports [*]		Imports	
	1979	1983	1979	1983
Total	424,290	363,340	753,670	732,540
OECD	338,730	284,380	686,990	674,540
Of Which:				
France	13,310	7,870	39,432	25,082
FRG	143,520	116,750	107,540	117,130
Italy	17,980	36,050	167,440	196,130
United Kingdom	84,600	61,520	161,850	123,370
United States	8,480	11,570	47,390	83,790
USSR	60	5,840 ^{**}	2,470	1,640
Eastern Europe	12,710	13,390	12,020	13,260
Romania	0	0	1,790	300
Poland	7,870	4,030	3,790	4,680
East Germany	570	1,170	560	520
Hungary	40	770	1,410	1,280
Czechoslovakia	3,950	5,690	4,440	3,610
Bulgaria	280	1,730 ^{***}	30	2,870
Albania	NA	0	NA	2,265 ^{**}
Cuba	0	0	50	40
PRC	110	10	5,590	3,420
Yugoslavia	210	260	320	11,800
Libya	33,170	11,990	540	250
North Korea	0	0	20	680

* Includes re-exports.

** Soviet trade data, which includes ship repairs, shows that ship repairs by the Maltese increased from about \$100,000 in 1982 to \$4,000,000 last year.

*** 1982 data.

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